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EIC-1-13  
25 March 1952  
CIA No. 433893

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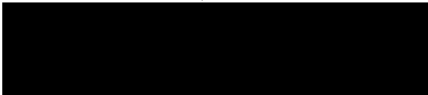
SECURITY INFORMATION

ECONOMIC INTELLIGENCE COMMITTEE

Minutes of Meeting held in  
Room 2101, Temporary "M" Building  
26th and Constitution Avenue, N. W.

5 March 1952

PRESENT: 25X1A9a

 Chairman  
, CIA, Secretary  
, CIA

Mr. Edward Doherty, State  
Mr. Herbert Block, State  
Mr. Fred Sanderson, State  
Lt. Col. George B. Russell, Army  
Cdr. Donald C. Deane, Navy  
Dr. J. A. Ross, Air  
Mr. John W. Easton, JCS  
Mr. Emil E. Schnellbacher, Commerce  
Mr. William G. Welk, MSA  
Mr. Kenneth R. Hansen, ODLS  
Mr. Fred J. Rossiter, Agriculture

APPROVAL OF MINUTES

1. Action: The minutes of the Economic Intelligence Committee meeting of 31 January 1952 (EIC-1-12) were approved.

REPORT ON THE ADMINISTRATION OF THE BATTLE ACT AS IT RELATES TO THE EIC

2. Action: It was agreed that the EIC would be of most assistance to Office of the Director for Mutual Security in long-range economic research projects. NIE-59, "The Relative Strategic Importance of East-West Trade," now in preparation in the EIC, was cited as an example of the kind of study which would be useful to that office.

3. Discussion: Mr. Hansen, who represents the Office of the Director of Mutual Security on the Economic Intelligence Committee, gave a summary report on the organization of his agency, and discussed how the EIC might help in the administration of the Battle Act.

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4. As the central advisory body, the Economic Defense Advisory Committee, headed by Admiral Dupre, has established the following groups: (a) the Economic Defense Staff Committee; (b) the Steering Group (this group is the so-called Board of Directors of the Economic Defense program); and (c) the Public Advisory Board to Mr. Harriman. Among these groups, the Steering Group is most similar to the EIC in that it allocates work among the various working level staff groups composed of individuals from numerous US agencies. These include working groups for: (a) Exceptions; (b) Title II; (c) Free Ports; (d) Collective Measures; (e) Preclusive Buying or Preemptive Operations, and some others more recently formed. In addition to projects underway in these groups, there are long-term dependency studies and major vulnerability studies in process without benefit of formal working group structure.

5. Mr. Hansen reported that the statistical reporting section in Commerce is now operating to service these groups and, in fact, all agencies in the economic defense field with basic trade statistics. He further indicated that discussions are now in progress which may lead to the building up of special staffs for the support of this work in OIR, State, and that the research staff in the Economic Defense Staff of MSA is also being increased.

6. Mr. Hansen pointed out that his agency has a great interest in the work of the EIC, and that it hoped that the EIC would be able to undertake certain long-range research studies for them. Materials and studies from the MDAC structure will be available to EIC.

7. In the field, a country team approach is used and it is hoped that the team members will work with the intelligence people in the field. Mr. Hansen noted that a permanent team in Paris would be directing a large part of the overseas activity. He also mentioned that a team was scheduled to go to Japan to inaugurate the establishment of a Far East trade controls program.

8. Mr. Hansen pointed out that there were some overlaps and dual responsibilities between his office and the Department of State under PL-213 and NSC-104/2. In view of this a memorandum of understanding had been worked out whereby particular problems in the economic intelligence field involving a question of responsibility between MSA under PL-213 and State under NSC-104/2, are to be worked out by negotiation in each particular case.

PROGRESS REPORT ON NIE-40, "POTENTIAL MILITARY, ECONOMIC, AND SCIENTIFIC ACCRETIONS TO THE USSR RESULTING FROM THE ACQUISITION OF WESTERN EUROPE BEFORE MID-1952," AND DISCUSSION OF PROCEDURE FOR FINAL REVIEW BY THE EIC

9. Action: It was agreed that the EIC would delegate the task of getting agreement on essential conclusions of the paper on NIE-40 to the

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Working Group, insuring, however, that Working Group representatives would clear with their respective superiors before final approval; and that the Economic Intelligence Committee would not meet to discuss the final summary paper before it goes to the Office of National Estimates unless an EIC member, after reading the document, expresses the feeling that a meeting ought to be held. A meeting of the EIC will be held at a later date, however, to consider in greater detail, both the sector and the summary papers prior to their issuance as EIC documents. At that time the paper will be reviewed in the EIC by all of the IAC members and by the associate members representing agencies which have contributed to the study.

10. Mr. Sanderson is to consult the Working Group regarding its recommendations for publication and dissemination of the sector papers.

11. It was agreed that, if it becomes impossible to produce evidence compelling enough to justify a reduction in the range of difference on the petroleum figures in question, a clear indication must be given in the final paper, before its presentation to ONE, that it has not been possible to reach agreement on a narrower range.

12. Discussion: Mr. Sanderson, Chairman of the EIC Working Group on NIE-40, reported that a summary working paper is now ready to go out to the members of the Working Group and to the sector coordinators; and it is hoped that an agreed Working Group summary will be ready for distribution to the EIC by 15 March 1952.

✓ 13. Mr. Sanderson stated that while there were numerous disadvantages to the working group procedure they were far outweighed by the advantages. The disadvantages encountered include: the large numbers of agencies and persons necessarily involved, the different approaches to research that were employed, and the virtual impossibility of holding agencies to schedules. However, the procedure has proven very useful and effective in facilitating the pooling of special knowledge scattered throughout various government agencies, and in safeguarding against errors and snap-judgments. In addition, it provides a valuable medium for improving intelligence research methods.

14. The principal outstanding problem is the inability of the Working Group to resolve its disagreements on certain statistics with the research contributors to the petroleum section.

15. There was some discussion of the issuance of the sector reports as research documents. It was felt that if economic intelligence research is to be cumulative, these research documents must note the methodology employed and list source material so that future researchers can clearly understand and evaluate what has already been done and can use these documents as a basis for further investigation.

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REPORT OF PROGRESS ON EIC-R-1, "STATUS AND EFFECTIVENESS OF TRADE CONTROLS AGAINST COMMUNIST CHINA"

16. Action: This paper, prepared by the EIC for use in the combined US/UK discussions on trade controls against Communist China, was presented to the IAC on 21 February 1952 and accepted by that body with only one minor correction.

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17. Discussion: [REDACTED] read from the memorandum sent to him by the Deputy Director/Intelligence, CIA, in which he congratulated all concerned in the preparation of this paper, and stated that General Partridge of the Joint Chiefs of Staff had expressed satisfaction with the subject paper and the manner in which it had been prepared. Representatives of State, Navy, Army and CIA were involved in the preparation of this report, and representatives of those agencies are now participating in [REDACTED] discussions in an effort to prepare an agreed [REDACTED] paper on this subject.

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PROPOSAL FOR STUDY ON RUBBER BY THE CHEMICAL SUBCOMMITTEE

18. Action: It was agreed that the Chemical Subcommittee could proceed with the proposed study, with the understanding that no major research resources would be devoted to its preparation.

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19. Discussion: [REDACTED] CIA, Chairman of the EIC Subcommittee on Chemicals, presented a proposal that the Chemical Subcommittee undertake a study on the Capabilities of the Free World Rubber Industry.

20. There was discussion as to the priority of the study and a question as to whether it should be undertaken at this particular time or should be held in abeyance until the Chemical Subcommittee had had an opportunity to survey the entire field of chemical intelligence and identify the principal gaps.

DISCUSSION OF ACTIVITIES OF THE NEW SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE

21. Discussion: This new Subcommittee had its first meeting on 5 March.

ANNOUNCEMENT OF NEW EIC MEMBERS AND PROPOSED EIC SUBCOMMITTEE MEMBERS


22. Action: The following new EIC members were announced to the Committee by the Chairman:

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Weapons Systems Evaluation Group

Francis A. Flood, Director  
Office of Foreign Agricultural Relations  
Department of Agriculture

Oscar L. Endler  
Economic Advisor to the Chairman  
National Security Resources Board

James E. Wood, Chief  
European Division  
Office of International Finance  
Department of the Treasury

23. Nominations for membership on EIC subcommittees were presented for approval as follows:

Subcommittee on International Trade and Finance

Carl P. Blackwell  
Assistant Director  
International Economic Analysis Division  
Department of Commerce

James E. Wood, Chief  
European Division  
Office of International Finance  
Department of the Treasury

Subcommittee on Chemicals

Earl R. Beckner  
Manufactured Products Staff  
Department of State

Lt. Robert E. Duval  
OPNAV  
Department of the Navy

Petroleum Intelligence Advisory Group

C. J. Dwyer, Chief  
Petroleum Branch  
Mutual Security Agency


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Members were to contact the Executive Secretary within the next few days if there was any objection to any of the proposed members listed above.

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Executive Secretary  
Economic Intelligence Committee

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